

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: 07/06/2012
POSITION: Neutral, note concerns

BILL NUMBER: AB 2362
AUTHOR: Conway, Connie

BILL SUMMARY: Education finance: necessary small high schools: average daily attendance.

This bill, an urgency measure, would continue to authorize three school districts to include junior high pupils in the computation of necessary small school (NSS) funding through fiscal year 2012-13.

FISCAL SUMMARY

According to the NSS funding data provided by the State Department of Education (SDE), this bill would result in \$1 million in Proposition 98 General Fund expenditures in fiscal year 2012-13 associated with inclusion of pupils at 3 junior high schools (Baker Junior High in San Bernardino County, Butte Valley Middle School in Siskiyou County, and Scott Valley Junior High School also in Siskiyou County) in the calculation of NSS funding. This is based on the difference between NSS funding (approximately \$2.5 million) and the alternative revenue limit funding (approximately \$1.3 million) reduced by an approximate deficit factor of 20 percent. While this bill would result in \$1 million in NSS funding in 2012-13, it would not result in a year-over-year cost increase because it would continue funding policy that existed in 2011-12.

The SDE would be required to provide the Legislature with a report by February 1, 2013 recommending revisions to the definition of NSS and reforms to the formula for funding NSS, for which the SDE did not estimate any costs.

COMMENTS

The Department of Finance is neutral on this bill, but notes a concern that despite this bills intent to avoid potential fiscal insolvency at the three effected schools, these three schools are receiving NSS funding under scenarios that are not a part of the original intent of NSS funding. As noted in a recent Legislative Analyst Office report on NSS funding that questioned the distribution NSS funding to some schools and this bill's request that the Superintendent of Public Instruction provide a report with recommended revisions to the definition of NSS and the NSS funding formula, review and reform of the NSS program may be necessary. It is our intent that the NSS funding model will be reviewed as a part of the ongoing overall school finance reform that was initiated by the Administration's 2012 Weighted Student Funding formula proposal.

Existing law provides an alternative to the revenue limit formula for schools that serve a small population of students and are geographically isolated, known as the NSS funding model. NSS funding is provided based on the combination of ADA and the number of full-time teachers (for kindergarten through 8th grade schools) or the number of certificated employees (for high schools). Presumably without NSS funding these schools would not generate sufficient funds to operate. A district must have fewer than 2,501 units of average daily attendance (ADA) to have a school qualify for NSS funding. An NSS elementary school is one that has 96 or fewer units of ADA in kindergarten through grade 8. A NSS high school is one that has 286 or fewer ADA in grades 9 through 12. Schools must also meet specified distance criteria if there are

Analyst/Principal (0342) C.Ferguson Date Program Budget Manager Nicolas Schweizer Date
Department Deputy Director Date
Governor's Office: By: Date: Position Approved Position Disapproved
BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

Conway, Connie

07/06/2012

AB 2362

COMMENTS (continued)

multiple elementary or high schools within a district. Schools automatically qualify for NSS funding if they are the only high school or elementary school in the district and meet the other specified requirements.

In 2010-11 the SDE discovered that three junior high schools were receiving NSS funding for pupils that were not a part of an elementary or high school. Funding for these schools was continued in fiscal year 2011-12 through Chapter 15, Statutes of 2011. This bill would allow the three school districts that have inadvertently received, and budgeted for, NSS funding for pupils not at an NSS elementary or high school for over 10 years, to continue to receive this funding in 2012-13 while the NSS funding formula is reviewed and potentially reformed. This bill is an urgency statute that would take effect as soon as it is chaptered in order to avoid disruption of pupil education at these schools. This bill also requires the affected districts to apply for any funding deferral exemptions for which they are eligible.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)						Fund Code
	LA	(Dollars in Thousands)						
	CO	PROP						
	RV	98	FC	2012-2013	FC	2013-2014	FC	2014-2015
6110/Dept of Educ	LA	Yes	C	1,000	A	--	A	-- 0001
6110/Dept of Educ	SO	No		----- No/Minor Fiscal Impact -----				0001